

**REPORT OF THE AUDIT OF THE  
MONROE COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2012**



**ADAM H. EDELEN  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE MONROE COUNTY FISCAL COURT**

**June 30, 2012**

The Auditor of Public Accounts has completed the audit of the Monroe County Fiscal Court for fiscal year ended June 30, 2012.

We have issued unqualified opinions, based on our audit and the report of other auditors, on the governmental activities, business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information financial statements of Monroe County, Kentucky.

#### **Financial Condition:**

The fiscal court had total net assets of \$6,118,214 as of June 30, 2012. The fiscal court had unrestricted net assets of \$330,772 in its governmental activities as of June 30, 2012, with total net assets of \$6,097,689. In its business-type activities, total net cash and cash equivalents were \$8,895 with total net assets of \$20,525. The fiscal court's aggregate discretely presented component unit had net assets of \$6,091 as of June 30, 2012. The aggregate discretely presented component unit had net cash and cash equivalents of \$4,880. The fiscal court had total debt principal as of June 30, 2012 of \$9,200,000 with \$415,000 due within the next year.

#### **Report Comments:**

2012-01	The Jail Canteen Lacks Adequate Segregation Of Duties
2012-02	The Fire And Rescue Squad Lacks Adequate Segregation Of Duties

#### **Deposits:**

The fiscal court and component units' deposits were insured and collateralized by bank securities.



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**ADAM H. EDELEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Steven L. Beshear, Governor  
Lori H. Flanery, Secretary  
Finance and Administration Cabinet  
Honorable Tommy Willett, Monroe County Judge/Executive  
Members of the Monroe County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of Monroe County, Kentucky, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Monroe County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of the Monroe County Recreation, Tourist, and Convention Commission, a discretely presented component unit, which represents 100 percent of the financial data of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Monroe County Recreation, Tourist, and Convention Commission, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Monroe County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of Monroe County, Kentucky, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with the basis of accounting described in Note 1.



To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Lori H. Flanery, Secretary  
Finance and Administration Cabinet  
Honorable Tommy Willett, Monroe County Judge/Executive  
Members of the Monroe County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Monroe County, Kentucky's basic financial statements as a whole. The combining fund financial statements and budgetary comparison information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole. The budgetary comparison information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

In accordance with Government Auditing Standards, we have also issued our report dated February 5, 2013 on our consideration of Monroe County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying comments and recommendations included herein, which discusses the following report comments:

2012-01      The Jail Canteen Lacks Adequate Segregation Of Duties  
2012-02      The Fire And Rescue Squad Lacks Adequate Segregation Of Duties

Respectfully submitted,



Adam H. Edelen  
Auditor of Public Accounts

February 5, 2013



MONROE COUNTY OFFICIALS

For The Year Ended June 30, 2012

**Fiscal Court Members:**

Tommy Willett	County Judge/Executive
Alonzo Ford	Magistrate
Roger Deckard	Magistrate
Ricky Bartley	Magistrate
Mitchell Page	Magistrate
Karen Gordon	Magistrate

**Other Elected Officials:**

Wesley Stephens	County Attorney
Elmer Doyle Fox	Jailer
Teresa Sheffield	County Clerk
Joyce Emberton	Circuit Court Clerk
Roger Barlow	Sheriff
Louis L. Carter	Property Valuation Administrator
Jackie Waldon	Coroner

**Appointed Personnel:**

Sheryl Conkin	County Treasurer
Beverly Harper	Occupational Tax Administrator
Sheila Sheffield	Finance Officer

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**MONROE COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2012**



**MONROE COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2012**

	<b>Primary Government</b>			<b>Component Unit -</b>
	<b>Governmental</b>	<b>Business-Type</b>		<b>Monroe County</b>
	<b>Activities</b>	<b>Activities</b>	<b>Totals</b>	<b>Recreation, Tourist, and</b>
				<b>Convention Commission</b>
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 1,267,445	\$ 8,895	\$ 1,276,340	\$ 4,880
Accounts Receivable				1,211
Total Current Assets	1,267,445	8,895	1,276,340	6,091
Noncurrent Assets:				
Capital Assets - Net of Accumulated Depreciation				
Land and Land Improvements	482,400		482,400	
Buildings	10,323,457		10,323,457	
Other Equipment	280,052		280,052	
Vehicles and Equipment	128,828	11,630	140,458	
Infrastructure	2,815,507		2,815,507	
Total Noncurrent Assets	14,030,244	11,630	14,041,874	
Total Assets	15,297,689	20,525	15,318,214	6,091
<b>LIABILITIES</b>				
Current Liabilities:				
Bonds Payable	415,000		415,000	
Total Current Liabilities	415,000		415,000	
Noncurrent Liabilities:				
Bonds Payable	8,785,000		8,785,000	
Total Noncurrent Liabilities	8,785,000		8,785,000	
Total Liabilities	9,200,000		9,200,000	
<b>NET ASSETS</b>				
Invested in Capital Assets,				
Net of Related Debt	4,830,244	11,630	4,841,874	
Restricted For:				
Protection to Persons and Property	4,035		4,035	
Roads	760,930		760,930	
Debt Service	171,708		171,708	
Unrestricted	330,772	8,895	339,667	6,091
Total Net Assets	\$ 6,097,689	\$ 20,525	\$ 6,118,214	\$ 6,091

The accompanying notes are an integral part of the financial statements.

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**MONROE COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2012**

**MONROE COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2012**

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 1,365,410	\$ 19,077	\$ 1,027,095	\$ 4,460
Protection to Persons and Property	533,377	59,838	127,043	
General Health and Sanitation	4,395,009			
Social Services	11,040			
Recreation and Culture	17,948			
Roads	1,157,861		1,200,922	173,266
Airports	3,000			
Interest on Long-Term Debt	334,850			
Capital Projects	6,260			
Total Governmental Activities	7,824,755	78,915	2,355,060	177,726
Business-type Activities:				
Jail Canteen	23,851	22,442		
Total Business-type Activities	23,851	22,442		
Total Primary Government	\$ 7,848,606	\$ 101,357	\$ 2,355,060	\$ 177,726
Component Units:				
Monroe County Recreation, Tourist And Convention Commission				
	\$ 14,901			

**General Revenues:**

Taxes:
Real Property Taxes
Personal Property Taxes
Motor Vehicle Taxes
Other Taxes
Excess Fees
Miscellaneous Revenues
Accrued Interest Received
Total General Revenues
Change in Net Assets
Net Assets - Beginning
Net Assets - Ending

The accompanying notes are an integral part of the financial statements.



**MONROE COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2012**  
**(Continued)**

Net (Expenses) Revenues and Changes in Net Assets			
Primary Government			Component Unit - Monroe County Recreation, Tourist, and Convention Commission
Governmental Activities	Business-Type Activities	Totals	
\$ (314,778)	\$	\$ (314,778)	\$
(346,496)		(346,496)	
(4,395,009)		(4,395,009)	
(11,040)		(11,040)	
(17,948)		(17,948)	
216,327		216,327	
(3,000)		(3,000)	
(334,850)		(334,850)	
(6,260)		(6,260)	
(5,213,054)		(5,213,054)	
	(1,409)	(1,409)	
	(1,409)	(1,409)	
(5,213,054)	(1,409)	(5,214,463)	
			(14,901)
222,524		222,524	
32,806		32,806	
53,130		53,130	
716,564		716,564	
46,080		46,080	13,115
56,532		56,532	230
10,116		10,116	401
1,137,752		1,137,752	13,746
(4,075,302)	(1,409)	(4,076,711)	(1,155)
10,172,991	21,934	10,194,925	7,246
\$ 6,097,689	\$ 20,525	\$ 6,118,214	\$ 6,091

The accompanying notes are an integral part of the financial statements.

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**MONROE COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2012**



**MONROE COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2012**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Public Properties Corporation</b>	<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 330,772	\$ 760,930	\$ 171,708	\$ 4,035	\$ 1,267,445
Total Assets	<u>330,772</u>	<u>760,930</u>	<u>171,708</u>	<u>4,035</u>	<u>1,267,445</u>
<b>FUND BALANCES</b>					
<b>Restricted For:</b>					
Protection to Persons and Property				4,035	4,035
Roads		760,930			760,930
Debt Service			171,708		171,708
<b>Assigned To:</b>					
Protection to Persons and Property	15,079				15,079
<b>Unassigned</b>	<u>315,693</u>				<u>315,693</u>
Total Fund Balances	<u>\$ 330,772</u>	<u>\$ 760,930</u>	<u>\$ 171,708</u>	<u>\$ 4,035</u>	<u>\$ 1,267,445</u>

**Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:**

Total Fund Balances	\$ 1,267,445
Amounts Reported For Governmental Activities In The Statement	
Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources	
And Therefore Are Not Reported in the Funds.	18,893,931
Accumulated Depreciation	(4,863,687)
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.	
Revenue Bonds	<u>(9,200,000)</u>
Net Assets Of Governmental Activities	<u>\$ 6,097,689</u>

The accompanying notes are an integral part of the financial statements.

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**MONROE COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2012**





**MONROE COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2012**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Public Properties Corporation</b>	<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>					
Taxes	\$ 922,541	\$	\$	\$	\$ 922,541
In Lieu Tax Payments	97,701				97,701
Excess Fees	46,080				46,080
Licenses and Permits	18,928				18,928
Intergovernmental	490,945	1,339,462	741,350	12,710	2,584,467
Charges for Services	11,487			1,600	13,087
Miscellaneous	13,996	35,790	2,428	5,556	57,770
Interest	1,939	5,748	1,192		8,879
Total Revenues	<u>1,603,617</u>	<u>1,381,000</u>	<u>744,970</u>	<u>19,866</u>	<u>3,749,453</u>
<b>EXPENDITURES</b>					
General Government	682,385				682,385
Protection to Persons and Property	479,105			23,992	503,097
General Health and Sanitation	33,400				33,400
Social Services	4,898				4,898
Recreation and Culture	13,037				13,037
Roads		1,141,502			1,141,502
Airports	3,000				3,000
Debt Service:					
Principal			405,000		405,000
Interest			334,850		334,850
Capital Projects			700,800	4,460	705,260
Administration	495,559	58,760	1,800		556,119
Total Expenditures	<u>1,711,384</u>	<u>1,200,262</u>	<u>1,442,450</u>	<u>28,452</u>	<u>4,382,548</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(107,767)</u>	<u>180,738</u>	<u>(697,480)</u>	<u>(8,586)</u>	<u>(633,095)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers From Other Funds	127,948			7,758	135,706
Transfers To Other Funds	(7,758)	(108,523)	(19,425)		(135,706)
Total Other Financing Sources (Uses)	<u>120,190</u>	<u>(108,523)</u>	<u>(19,425)</u>	<u>7,758</u>	
Net Change in Fund Balances	12,423	72,215	(716,905)	(828)	(633,095)
Fund Balances - Beginning	318,349	688,715	888,613	4,863	1,900,540
Fund Balances - Ending	<u>\$ 330,772</u>	<u>\$ 760,930</u>	<u>\$ 171,708</u>	<u>\$ 4,035</u>	<u>\$ 1,267,445</u>

The accompanying notes are an integral part of the financial statements.

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**MONROE COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2012**



**MONROE COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2012**

Net Change in Fund Balances - Total Governmental Funds	\$ (633,095)
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Amounts reported for governmental activities in the Statement of Activities are different because Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	1,199,051
Depreciation Expense	(767,332)
Assets disposed of, net book value	(4,278,926)

The issuance of long-term debt (e.g. bonds, financing obligations) provides current financial resources to governmental funds, while repayment of principal on long-term debt consumes the current financial resources of Governmental Funds. These transactions, however, have no effect on net assets.

Bond Principal Payments	<div style="border-top: 1px solid black; display: inline-block;">405,000</div>
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Change in Net Assets of Governmental Activities	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block;">\$ (4,075,302)</div>
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**MONROE COUNTY**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2012**





**MONROE COUNTY**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2012**

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 8,895
Total Current Assets	<u>8,895</u>
Noncurrent Assets:	
Capital Assets:	
Vehicles and Equipment	21,367
Less Accumulated Depreciation	<u>(9,737)</u>
Total Noncurrent Assets	<u>11,630</u>
Total Assets	<u>20,525</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	11,630
Unrestricted	8,895
Total Net Assets	<u><u>\$ 20,525</u></u>

The accompanying notes are an integral part of the financial statements.

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**MONROE COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2012**



**MONROE COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2012**

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Operating Revenues</b>	
Canteen Receipts	\$ 22,159
Total Operating Revenues	<u>22,159</u>
<b>Operating Expenses</b>	
Cost of Sales	10,248
Sales Tax	750
Educational and Recreational	510
Administrative	2,000
Depreciation	1,391
Miscellaneous	<u>2,330</u>
Total Operating Expenses	<u>17,229</u>
Operating Income (Loss)	<u>4,930</u>
<b>Nonoperating Revenues (Expenses)</b>	
Interest Income	
Inmate Pay From State	283
Inmate Refunds	<u>(6,622)</u>
Total Nonoperating Revenues (Expenses)	<u>(6,339)</u>
Change In Net Assets	(1,409)
Total Net Assets - Beginning	<u>21,934</u>
Total Net Assets - Ending	<u><u>\$ 20,525</u></u>

The accompanying notes are an integral part of the financial statements.

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**MONROE COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2012**





**MONROE COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2012**

	<b>Business-Type Activities - Enterprise Fund</b>	<b>Jail Canteen Fund</b>
<b>Cash Flows From Operating Activities</b>		
Cash Receipts From Customers for Sales	\$ 22,159	
Cash Payments to Vendors	(10,248)	
Cash Payments For Administrative	(2,000)	
Cash Payments For Sales Tax	(750)	
Cash Payments For Education and Recreation	(510)	
Cash Payments For Miscellaneous	(2,330)	
Net Cash Provided (Used) By Operating Activities	<u>6,321</u>	
<b>Cash Flows From Noncapital Financing Activities</b>		
Inmate Pay From State	283	
Inmate Refunds on Accounts	(6,622)	
Net Cash Provided (Used) By Noncapital Financing Activities	<u>(6,339)</u>	
Net Increase (Decrease) in Cash and Cash Equivalents	(18)	
Cash and Cash Equivalents - July 1	<u>8,913</u>	
Cash and Cash Equivalents - June 30	<u>\$ 8,895</u>	
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>		
Operating Income (Loss)	\$ 4,930	
Adjustments to Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities		
Depreciation Expense	<u>1,391</u>	
Net Cash Provided (Used) By Operating Activities	<u>\$ 6,321</u>	

The accompanying notes are an integral part of the financial statements.

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**MONROE COUNTY**  
**STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2012**



**MONROE COUNTY**  
**STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2012**

	<u><b>Agency Fund</b></u>
	<u><b>Jail Inmate Fund</b></u>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 124
Total Assets	<u>124</u>
<b>Liabilities</b>	
Amounts Held In Custody For Others	<u>124</u>
Total Liabilities	<u>124</u>
<b>Net Assets</b>	
Total Net Assets	<u><u>\$ 0</u></u>

The accompanying notes are an integral part of the financial statements.

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TO THE FINANCIAL STATEMENTS**

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**MONROE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2012**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements. The financial statements of the discretely presented component unit is prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. Under this basis of accounting all assets and liabilities are recognized on the Statement of net Assets. Revenues are recorded when earned and liabilities are recorded when incurred, regardless of timing of cash.

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Monroe County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

**Blended Component Units**

The following legally separate organizations provide their services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. These organizations' balances and transactions are reported as though they are part of the county's primary government using the blending method.

**MONROE COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**B. Reporting Entity (Continued)**

Blended Component Units (Continued)

Monroe County Public Properties Corporation

The Monroe County Fiscal Court appoints the Public Properties Corporation's (PPC) governing board and has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the PPC. Financial information for the PPC is blended within Monroe County's financial statements. All activities of the PPC are accounted for within a governmental fund.

Monroe County Fire and Rescue Squad

On March 22, 1995, the Monroe County Fiscal Court (Fiscal Court) created the Monroe County Fire and Rescue Squad, Inc. (Fire and Rescue Squad) to respond to emergency situations. The Fire and Rescue Squad is run by four officers (chief, assistant chief, and two captains) who are elected every two years by members of the Fire and Rescue Squad. However, the four officers have to answer to Fiscal Court. The Fire and Rescue Squad bills and collects a fee for its fire runs. However, this money is turned directly over to the Fiscal Court. The Fiscal Court reimburses the monthly expenses of the Fire and Rescue Squad. In fiscal year 2012, the Fire and Rescue Squad received \$7,758 from Fiscal Court. The Fire and Rescue Squad is fiscally dependent upon the Fiscal Court and the Fiscal Court can impose its will on the entity. Financial information for the Fire and Rescue Squad is blended with Monroe County's financial statements and has been presented as a non-major governmental fund.

Discretely Presented Component Units

The component units' columns in the combined financial statements include the data of the following organizations. They are reported on the Statement of Net Assets and the Statement of Activities in a separate column that is labeled as "Component Units" to emphasize these organizations' separateness from the fiscal court's primary government.

Monroe County Recreation, Tourist, and Convention Commission

On January 16, 2002, Monroe County Fiscal Court (Fiscal Court) established the Monroe County Recreation, Tourist, and Convention Commission (Commission) pursuant to KRS 91A.350(2) for the purpose of promoting tourism and convention activity in Monroe County. The Commission is composed of seven members appointed by the Monroe County Judge/Executive with the approval of the Fiscal Court. Five members are appointed by the County Judge/Executive from lists submitted by third parties. Two members are appointed at-large by the County Judge/Executive. The Commission's governing body is substantially different from the Fiscal Court. However, the Commission is fiscally dependent on the Fiscal Court because the Fiscal Court controls its major source of revenue. The Commission's major source of revenue is the transient room tax. On January 16, 2002, the Fiscal Court enacted an ordinance imposing a transient room tax. The Fiscal Court currently collects "3% of the gross rent for every occupancy of a suite, room or rooms charged and collected." The Fiscal Court is to issue monthly checks to the Commission. This fiscal dependency requires the Fiscal Court to include the Commission as a component unit. The Commission is not included in any other organization's reporting entity and does not provide services exclusively to the Fiscal Court. Financial information for the Commission is discretely presented in the accompanying financial statements.



**MONROE COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**B. Reporting Entity (Continued)**

Discretely Presented Component Units (Continued)

Audited financial statements for the Monroe County Recreation, Tourist, and Convention Commission, a discretely presented component unit, may be requested by contacting the Monroe County Recreation, Tourist, and Convention Commission, 202 North Magnolia Street, Tompkinsville, KY 42167.

**C. Monroe County Elected Officials**

Kentucky law provides for election of the officials below from the geographic area constituting Monroe County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Monroe County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**D. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

**MONROE COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

**Governmental Funds**

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Public Properties Corporation Fund - The purpose of this fund is to account for funds received from a bond issuance. The funds will be used for completing the Monroe County Justice Center.

The primary government also has the following non-major funds: Grant Fund and Monroe County Fire and Rescue Fund.

**Special Revenue Funds:**

The Road Fund and Monroe County Fire and Rescue Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

**Capital Projects Fund:**

The Grant Fund is presented as a capital projects fund. Capital projects funds are to account for the financial resources to be used for the acquisition or construction of major capital facilities and purchase of capital assets.

**MONROE COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Governmental Funds (Continued)**

**Public Properties Corporation Fund:**

The Public Properties Corporation fund is presented as capital projects fund and a debt service fund. Capital projects funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

**Proprietary Funds**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

**Fiduciary Funds**

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

The primary government reports the following fiduciary fund:

Jail Inmate Fund - This fund accounts for funds received from inmates and held until inmates use these funds or are released from custody.

**E. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**MONROE COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**F. Long-term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**G. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 25,000	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-25
Infrastructure	\$ 20,000	10-50

**H. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into non-spendable and spendable components, if applicable.

Non-spendable includes amounts that must be maintained intact legally or contractually.

Spendable include the following:

- Restricted-amounts constrained for a specific purpose by external parties, constitutional provisions, or enabling legislation.
- Committed-amounts constrained for a specific purpose by the county using its highest level of decision making authority.
- Assigned-for all governmental funds, other than general fund, any remaining positive amounts not classified as non-spendable, restricted, or committed. For the general fund, amounts constrained by intent to be used for a specified purpose by the County or the delegated county committee or official given authority to assign amounts.

**MONROE COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**H. Fund Equity (Continued)**

- Unassigned-for the general fund, amounts not classified as non-spendable, restricted, committed or assigned. For all other governmental funds, amount expended in excess of resources that are non-spendable, restricted, committed or assigned.

For resources considered committed, the county issues an ordinance or resolution that can only be changed with another corresponding ordinance or resolution.

It is the policy of the County to spend restricted resources first, when both restricted and unrestricted resources are available to spend on the activity. Once restricted resources are exhausted, then committed, assigned and unassigned resources will be spent in that order on the activity.

Encumbrances, although not reported on the balance sheet, are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Due to the modified cash basis of accounting, encumbrances can also include invoices for goods or services received at June 30, but not yet paid and not included as an accounts payable. Significant encumbrances at year end are reported by major funds and non-major funds in the aggregate and included with the commitments and contingencies note disclosure, if applicable.

**I. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

A formal budget is not adopted for the Monroe County Public Properties Corporation because bond indentures and other relevant contractual provisions require specific payments to and from this fund annually. The Department for Local Government does not require the fiscal court to report or budget this fund.

**MONROE COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**J. Related Organizations and Joint Venture Organization**

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Monroe County Fiscal Court: Monroe County Water District, Fountain Run Water District, and Monroe County Ambulance Taxing District. The fiscal court's accountability for these organizations, however, does not extend beyond making the appointments.

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the following is considered a joint venture of the Monroe County Fiscal Court: Monroe County/Tompkinsville Industrial Authority.

**Note 2. Deposits**

The primary government and Monroe County Recreation, Tourist, and Convention Commission maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of June 30, 2012, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**Note 3. Transfers**

The table below shows the interfund operating transfers for fiscal year 2012.

	General Fund	Road Fund	Public Properties	Total Transfers In
General Fund	\$	\$ 108,523	\$ 19,425	\$ 127,948
Non-Major	7,758			7,758
Total Transfers Out	\$ 7,758	\$ 108,523	\$ 19,425	\$ 135,706

**Reason for transfers:**

To move resources from and to the General Fund and other funds, for budgetary purposes, to the funds that will expend them.

**MONROE COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**  
**(Continued)**

**Note 4. Capital Assets**

Capital asset activity for the year ended June 30, 2012 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Primary Government:</b>				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 482,400	\$	\$	\$ 482,400
Construction In Progress	8,390,900	700,800	(9,091,700)	
Total Capital Assets Not Being Depreciated	8,873,300	700,800	(9,091,700)	482,400
Capital Assets, Being Depreciated:				
Buildings	7,291,175	9,091,700	(4,484,149)	11,898,726
Other Equipment	871,900	15,109		887,009
Vehicles and Equipment	360,484	46,000	(61,800)	344,684
Infrastructure	4,843,970	437,142		5,281,112
Total Capital Assets Being Depreciated	13,367,529	9,589,951	(4,545,949)	18,411,531
Less Accumulated Depreciation For:				
Buildings	(1,502,181)	(285,311)	212,223	(1,575,269)
Other Equipment	(564,035)	(42,922)		(606,957)
Vehicles and Equipment	(255,039)	(15,617)	54,800	(215,856)
Infrastructure	(2,042,123)	(423,482)		(2,465,605)
Total Accumulated Depreciation	(4,363,378)	(767,332)	267,023	(4,863,687)
Total Capital Assets, Being Depreciated, Net	9,004,151	8,822,619	(4,278,926)	13,547,844
Governmental Activities Capital Assets, Net	<u>\$ 17,877,451</u>	<u>\$ 9,523,419</u>	<u>\$ (13,370,626)</u>	<u>\$ 14,030,244</u>
	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-Type Activities:</u>				
Capital Assets, Being Depreciated:				
Vehicles and Equipment	\$ 21,367	\$	\$	\$ 21,367
Total Capital Assets Being Depreciated	21,367			21,367
Less Accumulated Depreciation For:				
Vehicles and Equipment	(8,346)	(1,391)		(9,737)
Total Accumulated Depreciation	(8,346)	(1,391)		(9,737)
Total Capital Assets, Being Depreciated, Net	13,021	(1,391)		11,630
Business-Type Activities Capital Assets, Net	\$ 13,021	\$ (1,391)	\$ 0	\$ 11,630

**MONROE COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**  
**(Continued)**

**Note 4. Capital Assets (Continued)**

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 187,466
Protection to Persons and Property	30,280
General Health and Sanitation	89,683
Recreation and Culture	4,911
Social Services	6,142
Roads	448,850
	<hr/>
Total Depreciation Expense - Governmental Activities	<u>\$ 767,332</u>

Depreciation expense was charged to functions of the Business-Type Activities as follows:

Business-Type Activities

Jail Canteen	\$ 1,391
	<hr/>
Total Depreciation Expense - Business-Type Activities	<u>\$ 1,391</u>

**Note 5. Long-Term Debt**

**First Mortgage Revenue Bonds, Series 2009**

On December 1, 2009, the Monroe County Public Properties Corporation issued revenue bonds of \$10,005,000 to pay off the 2008 Series Notes, which were originally issued for the purpose of constructing a Judicial Center, and to further the construction of the Judicial Center. The principal is to be paid on the maturity date of November 1, 2028 and interest is payable semi-annually on May 1 and November 1 of each year at varying rates. As of June 30, 2012, the outstanding principal balance was \$9,200,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2013	\$ 415,000	\$ 326,650
2014	425,000	318,250
2015	430,000	308,840
2016	445,000	297,005
2017	460,000	283,430
2018-2022	2,530,000	1,174,480
2023-2027	3,075,000	628,035
2028-2029	1,420,000	60,988
	<hr/>	<hr/>
Totals	<u>\$ 9,200,000</u>	<u>\$ 3,397,678</u>



**MONROE COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**B. Changes In Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2012, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<u>Governmental Activities:</u>					
Revenue Bonds	\$ 9,605,000	\$	\$ 405,000	\$ 9,200,000	\$ 415,000
Governmental Activities Long-term Liabilities	<u>\$ 9,605,000</u>	<u>\$ 0</u>	<u>\$ 405,000</u>	<u>\$ 9,200,000</u>	<u>\$ 415,000</u>

**Note 6. Employee Retirement System**

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 18.96 percent.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 35.76 percent.

The county's contribution for FY 2009 was \$90,159, FY 2010 was \$110,596, FY 2011 was \$120,183 and FY 2012 was \$141,488.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

CERS also provides post retirement health care coverage as follows:

**MONROE COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**  
**(Continued)**

**Note 6. Employee Retirement System (Continued)**

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

<b>Years of Service</b>	<b>% paid by Insurance Fund</b>	<b>% Paid by Member through Payroll Deduction</b>
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Hazardous employees whose participation began on or after July 1, 2003, earn fifteen dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

**Note 7. Insurance**

For the fiscal year ended June 30, 2012, Monroe County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 8. Transfer of Capital Assets to the Monroe County Board of Education**

On December 5, 2011 the fiscal court allowed the County Judge to execute a deed for the transfer of Wellness Center Buildings 1 and 2, to the Monroe County Board of Education. The buildings had net book value of \$4,271,276 at the time of the donation. The fiscal court booked a loss of \$4,271,926 on the *Statement of Activities* as of June 30, 2012 as the result of the transfer.

**MONROE COUNTY  
COMBINING BALANCE SHEET -  
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS  
Supplementary Information**

**June 30, 2012**



**MONROE COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Supplementary Information**

**June 30, 2012**

	<b>Monroe County Fire And Rescue Fund</b>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 4,035
Total Assets	<u>4,035</u>
<b>FUND BALANCES</b>	
<b>Restricted For:</b>	
Protection to Persons and Property	<u>4,035</u>
Total Fund Balances	<u>\$ 4,035</u>

The accompanying notes are an integral part of the financial statements.

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**MONROE COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Supplementary Information**

**For The Year Ended June 30, 2012**





**MONROE COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Supplementary Information**

**For The Year Ended June 30, 2012**

	<b>Grant Fund</b>	<b>Monroe County Fire And Rescue Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>REVENUES</b>			
Intergovernmental	\$ 4,460	\$ 8,250	\$ 12,710
Charges For Services		1,600	1,600
Miscellaneous		5,556	5,556
Total Revenues	<u>4,460</u>	<u>15,406</u>	<u>19,866</u>
<b>EXPENDITURES</b>			
Protection to Persons and Property		23,992	23,992
Capital Projects	4,460		4,460
Total Expenditures	<u>4,460</u>	<u>23,992</u>	<u>28,452</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)		<u>(8,586)</u>	<u>(8,586)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers From Other Funds		7,758	7,758
Total Other Financing Sources (Uses)		<u>7,758</u>	<u>7,758</u>
Net Change in Fund Balances		(828)	(828)
Fund Balances - Beginning		4,863	4,863
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 4,035</u>	<u>\$ 4,035</u>

The accompanying notes are an integral part of the financial statements.

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**MONROE COUNTY**  
**BUDGETARY COMPARISON INFORMATION**  
**Other Information - Modified Cash Basis**

**For The Year Ended June 30, 2012**



**MONROE COUNTY**  
**BUDGETARY COMPARISON INFORMATION**  
**Other Information - Modified Cash Basis**

**For The Year Ended June 30, 2012**

	<b>GENERAL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes	\$ 856,600	\$ 856,600	\$ 922,542	\$ 65,942
In Lieu Tax Payments	55,000	97,701	97,701	
Excess Fees	20,000	20,000	46,080	26,080
Licenses and Permits	19,100	19,100	18,927	(173)
Intergovernmental Revenue	296,870	331,395	337,757	6,362
Charges for Services	1,500	1,500	150	(1,350)
Miscellaneous	8,000	8,000	6,202	(1,798)
Interest	2,000	2,000	1,494	(506)
Total Revenues	<u>1,259,070</u>	<u>1,336,296</u>	<u>1,430,853</u>	<u>94,557</u>
<b>EXPENDITURES</b>				
General Government	679,903	716,528	681,289	35,239
Protection to Persons and Property	93,570	110,369	95,571	14,798
General Health and Sanitation	12,000	36,419	33,400	3,019
Social Services	6,500	5,611	4,898	713
Recreation and Culture	11,300	13,086	13,038	48
Administration	423,702	473,729	426,738	46,991
Total Expenditures	<u>1,226,975</u>	<u>1,355,742</u>	<u>1,254,934</u>	<u>100,808</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>32,095</u>	<u>(19,446)</u>	<u>175,919</u>	<u>195,365</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	108,523	108,523	127,948	19,425
Transfers To Other Funds	<u>(340,618)</u>	<u>(340,618)</u>	<u>(327,758)</u>	<u>12,860</u>
Total Other Financing Sources (Uses)	<u>(232,095)</u>	<u>(232,095)</u>	<u>(199,810)</u>	<u>32,285</u>
Net Changes in Fund Balance	(200,000)	(251,541)	(23,891)	227,650
Fund Balance - Beginning	<u>200,000</u>	<u>251,541</u>	<u>251,541</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 227,650</u>	<u>\$ 227,650</u>

**MONROE COUNTY**  
**BUDGETARY COMPARISON INFORMATION**  
**Other Information - Modified Cash Basis**  
**For The Year Ended June 30, 2012**  
**(Continued)**

	<b>ROAD FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 1,262,793	\$ 1,262,793	\$ 1,339,462	\$ 76,669
Miscellaneous	21,916	21,916	35,790	13,874
Interest	6,000	6,000	5,748	(252)
Total Revenues	1,290,709	1,290,709	1,381,000	90,291
<b>EXPENDITURES</b>				
Roads	1,107,786	1,208,886	1,141,239	67,647
Administration	74,400	73,300	59,023	14,277
Total Expenditures	1,182,186	1,282,186	1,200,262	81,924
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	108,523	8,523	180,738	172,215
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers To Other Funds	(108,523)	(108,523)	(108,523)	
Total Other Financing Sources (Uses)	(108,523)	(108,523)	(108,523)	
Net Changes in Fund Balance		(100,000)	72,215	172,215
Fund Balance - Beginning		100,000	688,715	588,715
Fund Balance - Ending	\$ 0	\$ 0	\$ 760,930	\$ 760,930

**MONROE COUNTY**  
**NOTES TO OTHER INFORMATION**

**June 30, 2012**

**Note 1. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**Note 2. Reconciliation of the General Fund**

Total Revenues-Budgetary Basis	\$ 1,430,853
To adjust for Jail Fund Revenues	120,996
To adjust for LGEA Fund Revenues	<u>51,768</u>
Total Revenues-Modified Cash Basis	<u><u>\$ 1,603,617</u></u>
Total Expenditures-Budgetary Basis	\$ 1,254,934
To adjust for Jail Fund Expenditures	434,313
To adjust for LGEA Fund Expenditures	<u>22,137</u>
Total Expenditures-Modified Cash Basis	<u><u>1,711,384</u></u>
Total Other Financing Sources and Uses-Budgetary Basis	\$ (199,810)
To adjust for Jail Fund Transfers In	<u>320,000</u>
Total Other Financing Sources and Uses-Modified Cash Basis	<u><u>\$ 120,190</u></u>
Total Fund Balance-Beginning-Budgetary Basis	\$ 251,541
To adjust for Jail Fund Beginning Balance	8,396
To adjust for LGEA Fund Beginning Balance	<u>58,412</u>
Total Fund Balance-Beginning-Modified Cash Basis	<u><u>\$ 318,349</u></u>
Total Fund Balance-Ending-Budgetary Basis	\$ 227,650
To adjust for Jail Fund Ending Balance	15,079
To adjust for LGEA Fund Ending Balance	<u>88,043</u>
Total Fund Balance-Ending-Modified Cash Basis	<u><u>\$ 330,772</u></u>





**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**





**ADAM H. EDELEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Tommy Willett, Monroe County Judge/Executive  
Members of the Monroe County Fiscal Court

**Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of Monroe County, Kentucky, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated February 5, 2013. We did not audit the financial statements of the Monroe County Recreation, Tourist, and Convention Commission. Other auditor's whose report has been furnished to us audited those financial statements. Monroe County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

Management of the Monroe County Fiscal Court is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Monroe County Fiscal Court's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Monroe County Fiscal Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Monroe County Fiscal Court's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying comments and recommendations, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying comments and recommendations as items 2012-01 and 2012-02 to be material weaknesses.



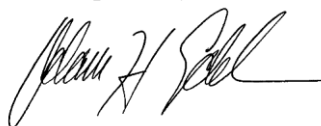
Report On Internal Control Over Financial Reporting  
And On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Monroe County's financial statements as of and for the year ended June 30, 2012, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, others within the entity, and the Department for Local Government, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Adam H. Edelen', written in a cursive style.

Adam H. Edelen  
Auditor of Public Accounts

February 5, 2013

**MONROE COUNTY  
COMMENTS AND RECOMMENDATIONS**

**For The Year Ended June 30, 2012**



**MONROE COUNTY  
COMMENTS AND RECOMMENDATIONS**

**Fiscal Year Ended June 30, 2012**

**INTERNAL CONTROL - MATERIAL WEAKNESSES:**

**2012-01    The Jail Canteen Lacks An Adequate Segregation Of Duties**

A lack of segregation of duties exists over all jail canteen accounting functions. The bookkeeper receives the mail, prepares and deposits the receipts, and writes checks. Adequate segregation of duties would prevent the same person from having a significant role in the receiving process, recording, and reporting of receipts and disbursements. The jailer should strengthen internal controls by either segregating the duties or by implementing and documenting compensating controls. If one employee is solely responsible for the receipt, disbursement, and reporting and reconciling process, the risk of misappropriation of assets and/or inaccurate financial reporting increases. We recommend the jailer separate the duties in preparing and depositing receipts, recording transactions, preparing checks, and reconciling bank accounts. If these duties cannot be segregated due to limited number of staff or budget, strong oversight should be provided over the employee responsible for these duties. Any compensating controls performed should be documented.

*County Judge/Executive's Response: No response.*

**2012-02    The Fire and Rescue Squad Lacks Adequate Segregation Of Duties**

A lack of segregation of duties exists over all accounting functions. The treasurer receives all mail, prepares and deposits the receipts, prepares checks, and performs the bank reconciliations. Adequate segregation of duties would prevent the same person from having a significant role in the receiving processing, recording, and reporting of receipts and disbursements. The Fire and Rescue Squad should strengthen internal controls by either segregating the duties or by implementing and documenting compensating controls.

*County Judge/Executive's Response: No response.*

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**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**MONROE COUNTY FISCAL COURT**

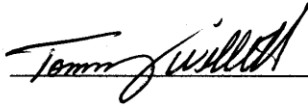
**For The Fiscal Year Ended  
June 30, 2012**

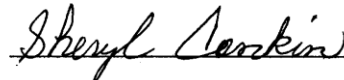


CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM  
MONROE COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2012

The Monroe County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
\_\_\_\_\_  
County Judge/Executive

  
\_\_\_\_\_  
County Treasurer

